

SAYS RAILROADS WASTE INCOME

Louis D. Brandeis, Commerce Board's Counsel, Attacks Free Services.

REVENUES "DISSIPATED"

Investigators Assert Pennsylvania Has Subsidized Warehouses.

ERIE IS ALSO ACCUSED

Charged With Discriminating in Favor of Standard Oil Company.

WASHINGTON, March 28.—Louis D. Brandeis, counsel for the Interstate Commerce Commission, in the advance report introduced in evidence before the commission today the results of investigations made by the commission's examiners into the free services performed by the Eastern carriers for some shippers.

Mr. Brandeis contends that there is a great and unnecessary depletion of the revenues of the railroads through these so-called leaks and the commission has shown a disposition to locate and check these before granting any increase.

Mr. Brandeis charges that the Pennsylvania Railroad is discriminating in favor of certain warehouse companies and that the road has lost in one year as much as \$282,000 through free services to "subsidized warehouses."

The commission's attorney was particularly harsh on the free services granted to shippers in New York city and contended that they constituted a discrimination as against shippers in Jersey City and other nearby points.

Erie and Standard Oil.

The commission's experts presented the details of freight transactions between the Erie Railroad and the Standard Oil Company, in which it was contended that the total freight rate obtained was practically consumed by the terminal charges at New York city which were borne by the railroad.

The commission's examiners presented some cases in which it was contended that the railroads through these special free services and allowances paid what actually amounted to a bonus for the privilege of carrying freight free over their lines.

A summary of the results of the investigations by the commission's experts was given out by Mr. Brandeis in the form of a statement today. The issuance of this statement at the commission's office was regarded as significant. By many it was thought to indicate a plan on the commission's part to combat with publicity the efforts which are being made by many of the railroads to hurry the commission in its decision on the advanced rate case.

"Shippers of freight by the railroad," says Mr. Brandeis, "must ordinarily load and unload cars at their own expense. Shippers of freight are ordinarily entitled to only two days free use of cars at destination. For some reason, some railroads have made exceptions at some places to these rules and the exceptions are very expensive to the railroads."

"Such persons who choose to patronize certain warehouses designated by the Pennsylvania Railroad—the Merchants Warehouse Company, the Keystone Elevator and Warehouse Company, the Pennsylvania Cold Storage and Market Company—have their freight unloaded from the cars, stored four days and then carried to the wagon free of expense to the shipper, the expense of that operation being in such case borne by the Pennsylvania Railroad, which free service cost the Pennsylvania Railroad through three of the four subsidized warehouse companies \$282,261 in the year ending June 30, 1913."

"Unsubsidized" Warehouses.

"If flour or grain or hay or groceries arrive in Philadelphia and delivery is made on public train tracks or on private side tracks at any one of nine or ten unsubsidized warehouse companies the Pennsylvania Railroad makes no payment or allowance on account of cost of unloading or storage and the shippers who so receive their freight are clearly discriminated against in that they pay to the railroad company as much without that service as the shippers who receive their freight through the Merchants and other subsidized warehouse companies."

Mr. Brandeis charges also that there is a discrimination as between the warehouse men; that in the absence of specific instructions to the shippers the Pennsylvania Railroad delivers the shipments in Philadelphia at one of the subsidized warehouses.

"Why should the Pennsylvania Railroad 'draw away' money?" asked Mr. Brandeis, "in paying for a service which other warehouse men would perform without pay from the railroads because of the storage charge paid by the consignee?"

"The effect of this free service on the revenue of the Pennsylvania Railroad Company was illustrated by these two cases:

"Flour from Buffalo. Out of \$125.26 paid for hauling four cars 443 miles the railroad company paid the Merchants Warehouse Company \$32.16, or 26 per cent of the revenue.

"Flour from one car of grits from Geneva, 523 miles, the railroad received \$23.96 and paid the warehouse company \$10.61, or 44 per cent of the revenue."

Mr. Brandeis says that free service in loading or unloading carloads of freight, similar to those at Philadelphia, was found at other places, notably Buffalo.

Freight Charges Eaten Up.

He gives the record of several transactions investigated by the commission's examiners, in which he finds that the amounts paid by the railroads to storage companies for loading or unloading have exceeded the total freight charges collected.

"A lot of thirty cars of iron pyrites arriving at Girard Point, Philadelphia," said Mr. Brandeis, "are shipped from there to Marcus Hook over the Pennsylvania Railroad. The freight rate is 20 cents per gross ton. The amount paid the Girard Point Storage Company for taking the iron pyrites from ship side at Girard Point and loading into the cars at Girard Point is exactly 20 cents per gross ton."

"There is consequently not one cent left out of this freight money to pay for the railroad's service in transporting these thirty loaded cars from Girard Point to Marcus Hook. In fact the Pennsylvania Railroad paid out to the storage company more than it received, for in addition to the 20 cents paid by the railroad to the storage company for the use of the cars it pays also \$714.30 a month or \$8,571.60 a year for the use of the storage company's tracks and the salaries of billing clerks."

"In other words, for the pleasure of transporting 1,314 gross tons of iron pyrites free the railroad paid a bonus of \$8.57."

Mr. Brandeis adds that the Girard Point Storage Company is a Pennsylvania Railroad subsidiary, that the railroad owns about \$2,000,000 of the capital stock of the company, but that no dividend was received on it.

In regard to the Erie Railroad, Mr. Brandeis says the total freight revenue for that system for the year ended June 30, 1913, was \$47,222. The revenue earned on business destined to or originating at New York harbor was about 25 per cent of the Erie's total freight business.

Erie's New York Business.

Owing to the obvious important effect of this business on the financial condition of the Erie the commission undertook an investigation into the special services incident to the Erie's New York business.

The commission's investigation found that the freight rate on a large part of the freight destined to or originating in New York harbor is the same for Jersey City and Weehawken as it is for the Island of Manhattan or Brooklyn.

"That is," said Mr. Brandeis, "the merchant or industry at Jersey City or Weehawken pays for the service that the Erie renders it just as much as the merchant or industry in New York city or Brooklyn, the added expense of getting the freight to and from New York city and Brooklyn being borne by the railroad."

Mr. Brandeis charges that entirely

aside from this consideration there is definite discrimination practiced against accrues, but the freight which goes Jersey City and Weehawken. The New Jersey and Weehawken shippers must unload their freight within seventy-two hours or a demurrage charge of \$1 a day thereon. The freight which goes to New York city proper or Brooklyn, lighterage free, has these privileges: ten days free storage if for domestic consumption and thirty days free storage if for export.

"But this long period of free storage," says Mr. Brandeis, "is only a part of the expense involved. The traffic which enjoys this free storage enjoys also the privilege of being unloaded and later reloaded at the carrier's expense."

"The expense of this service on individual lots of merchandise and generally has been investigated by examiners of the commission. Data have been collected for 18,153 cars, which were received loaded and unloaded at the Erie's warehouse at Weehawken during the calendar year 1913."

"The expense of the mere labor cost in unloading and loading of less than twenty-two tons. Adding the overhead charges, maintenance, depreciation, taxes and interest on the warehouse, the cost per car for loading and unloading and storing is nearly \$2."

Total Cost Per Car.

"There is in addition to this, of course, the cost of lighting. That cost, including interest and depreciation on marine equipment, is at least about \$17 per car, making the total cost per car on the 18,153 cars for this terminal service at New York harbor at least \$24 per car."

"These 18,153 cars are the cars containing what is called package freight. On only a small part of them was payment made for terminal service. The 18,153 cars containing package freight are only a part of the total Erie freight at New York harbor. The heavy depletion of revenues due to these causes will perhaps be better shown by the result of particular shipments."

"The Standard Oil Company ships large quantities of paraffine wax to Weehawken for ultimate export. Under the Erie tariff, this paraffine was being received frequently for a long time in storage, the freight charges not being paid until the merchandise is removed. On forty-nine cars arriving between November 3, 1912, and August 28, 1913, which were on hand October, 1913, there was \$6,726 due for freight."

"If there had been made a cost for loading and unloading that paraffine wax, of lighting it into New York, the interest lost on the freight money of which payment was deferred, the cost of the storage at the customary rate prevailing at other places, they would together amount to a sum far exceeding the total freight revenue and, figuring the storage charge at actual cost to the carrier, the total freight received was practically consumed by these terminal charges at New York, leaving nothing for the cost of transporting these cars 866 miles from Weehawken, Ind., to Weehawken."

Mr. Brandeis's statement was made public incident to a hearing before the commission in the matter of so-called "free services." It aroused much resentment among counsel for the railroads.

William A. Glasgow, Jr., attorney for the Merchants Warehouse, controlled by the Pennsylvania Railroad, bitterly denounced Mr. Brandeis's charges. At the commission's hearing, Mr. Glasgow said, "This statement is malicious in its intent. It was issued by the chief attorney for the commission for the purpose of creating sentiment. It will be widely printed and believed. People will read and believe. They receive but one side of the story."

"I believe, Mr. Commissioner, that if this sort of practice is permitted to continue the people coming here to present their claims and views will feel that they are not assured of fair and just treatment."

After Mr. Glasgow's protest Commissioner Harlan adjourned the hearing, and the railroad attorneys gathered about Mr. Glasgow and endorsed his stand.

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SNOW ALONE SAVES RAILROAD WORKERS

Thousands Needed to Clear Blocked Tracks Kept Despite Losses.

FIGHT MOVES TO CAPITAL

Officials Off to Make Final Pleas—March Earnings Show Losses.

One reason the number of railway employees recently put out of work has not been greater by thousands, it was learned yesterday from railroad circles, is that the heavy snows and storms during March so tied up traffic that the men are needed now to get the congestion off the lines.

This is particularly true of the roads operating in Northern territory, although applying in large measure to all roads north of the Ohio and east of the Mississippi, particularly the Erie, Delaware and Hudson, Delaware, Lackawanna and Western, and the Lehigh Valley.

The Northern roads have just begun to get the congested traffic moving on regular schedule. Trains of heavily loaded freight cars have been stalled all along the lines since the first storms began.

Although for the last ten days traffic managers have been able to reduce the congestion, it is only in the last week that trains have been moving in anything like normal time.

President L. F. Loe of the Delaware and Hudson said yesterday that his road had laid off no men. Because of the unusual weather situation, he said, it would be impossible to call for some time to what extent the reduced volume of business, the piling up of operating expenses and the exactions of new legislation would result in forcing reductions.

He intimated that getting blocked traffic out of the way would keep all men on the Delaware and Hudson busy for several weeks.

Leaders Off for Washington.

The seriousness of the railroad situation was recognized in the financial district in the large number of leading railroad officials who left for Washington to be present at the hearings before the Interstate Commerce Commission tomorrow and Tuesday. The commission in response to the railroads' request for further hearings appointed these two days and April 20 and 21.

Among those who will appear tomorrow will be Daniel Willard, president of the Baltimore and Ohio; General Counsel Bond of the Baltimore and Ohio; President Red of the Pennsylvania and Vice-President Williams of the Delaware and Hudson. They will have with them statistical men, who will present what the railroads consider unanswerable arguments of falling revenues and the decreasing proportion of income to work done and money expended. It is understood that the case of the railroads has been summed up in an equation, worked out on mathematical logic, showing that the railroads in a few years will earn far short of their requirements.

Vice-President Hardin of the New York

Central said that the present plight of the railroads, and incidentally of the men, was not to be attributed entirely to the question of rates. He emphasized readjustment of tariffs and prices and general business duties.

"Railroad business should grow from 4 to 6 per cent a year," he said. "But now it is decreasing and it is the shrinkage that hurts. If the development was as it should be a railroad could take on additional business and handle it without much additional expense. The decrease makes it difficult to curtail expense. The railroad maintains a certain number of superintendents and other supervisory officials, who can care for 15,000 cars as well as 12,000. When, however, only 10,000 cars can be kept busy it is impossible to lay off men."

"We do not anticipate any further immediate cut in men or freight and passenger trains, but this is a daily consideration, based on our daily reports of the revenue of each car, its number of passengers and the volume of freight."

Aggregate gross earnings of the railroads, as compiled by the Financial Chronicle yesterday, continue to show large losses in the first three weeks of March as compared with 1913. They were not so heavy, however, as in the last three weeks of February. In the first week of March, the week of the big storm, gross earnings of thirty-nine railroads were \$12,941,222, a decrease of \$1,036,374, or 7.92 per cent, from the similar week in 1913. In the second week of March the decrease was \$615,841, or 4.61 per cent, and in the third week \$450,122, or 3.43 per cent. The percentages of decrease in the last three weeks of February were 8.58, 10.85 and 12.49.

Railroad men said the comparison with last year will now begin to improve, by reason of the wretchedly poor showing due to heavy flood losses in the middle West around this period.

One of the effects of bad railroad earnings now being felt acutely in the financial district is the impending of three dividends. The railroads are finding it so

difficult to obtain new capital that they are being forced to turn earnings into the modest amount of maintenance and improvement absolutely required. The result, say financial men, will be twofold. Investors will turn further against railroad stocks, and the country will be deprived of railroad extension, which can only be done on new capital.

The financial district interpreted President Willard's warning on these points in his Friday speech as one of the most potent claims of the railroads for better treatment.

PENNSYLVANIA FACES TIEUP.

Pierce, Shopmen's President, Says General Strike Is Near.

ALTOONA, Pa., March 28.—W. H. Pierce, president of the Brotherhood of Railroad Shopmen, announced today that a general strike of all organized employees of the Pennsylvania Railroad will be called in the next two weeks.

Mr. Pierce declared that the railroad officials had ordered suspensions to get rid of the union men. Of the 1,500 men suspended in this city, Mr. Pierce said, 80 per cent were union men and Socialists. A meeting of the suspended men was held today and bitter feeling was expressed.

The situation in Altoona is regarded as extremely grave, as the trainmen are incensed at the action of the officials in settling the strike on the Monongahela division by calling on union men to take the strikers' places. Mr. Pierce declared that the trainmen were with him to a unit and that the next fortnight would bring about drastic changes.

Boy Seeking Work Train Victim.

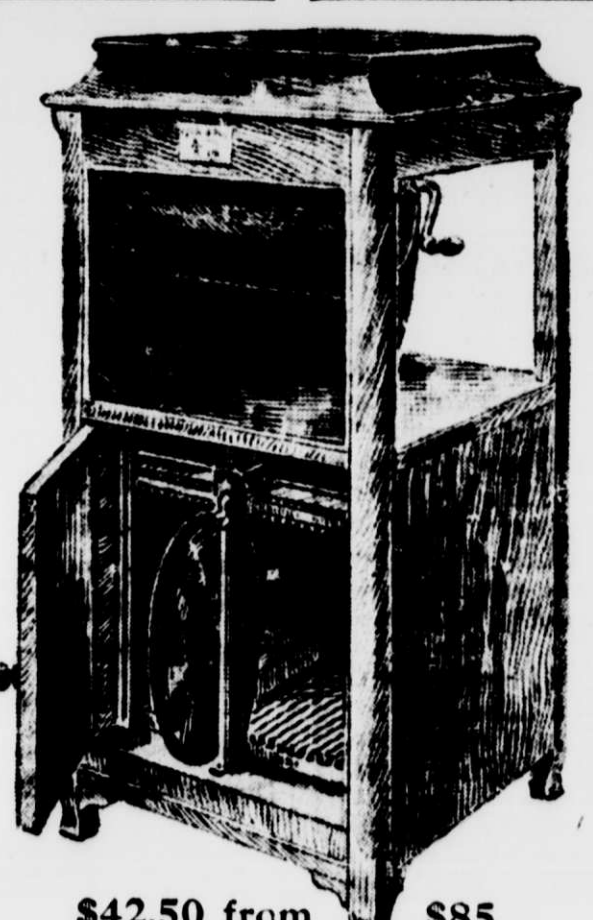
BATONNE, N. J., March 28.—Dewey McGuire, 16 years old, of Bedford and Commerce streets, New York city, was killed by a Jersey Central train this afternoon while he was crossing the tracks. He and three other boys had been at Plainfield to look for work.

GIMBEL BROTHERS Announce An Astonishing Sale at HALF PRICE—Of Nearly 4,000 Superb TALKING MACHINES That Will Play Any Disc Record

Equipped with Both Sapphire and Diamond Needles and Attachment for Steel Needles—Pooley Record Cabinets in Four of the Six Styles—The Most Delightfully Artistic Talking Machines of the Age.

\$200 Talking Machines at \$100	\$175 Talking Machines at \$87.50	\$125 Talking Machines at \$62.50	\$85 Talking Machines at \$42.50
\$75 Talking Machines at \$37.50	\$50 Talking Machines at \$25		

The reason for this extraordinary sale—the greatest talking machine transaction ever accomplished—is the reorganization of the makers, the Keen-o-Phone Company and the turning over to GIMBEL BROTHERS for distribution their whole stock of fine talking machines in the larger sizes.



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First of All—The Keen-o-Phone Will Play Every Disc Record Made!

Each Machine is equipped with
A Sapphire-pointed needle, indestructible when used with Keen-o-Phone Records.
A Diamond-pointed needle, for Edison Records.
An attachment for steel needles, for playing ALL OTHER disc records.

Thus the talking machine repertoire of the WHOLE WORLD is at the disposal of the Keen-o-Phone owner.

Keen-o-Phone Construction Is the very best that Modern Science and Methods can produce.

Sound Box with metal diaphragm, which cuts out the "blast" so frequently heard in talking machines when playing high notes.

Spiral Tone Arm, which clarifies and sweetens the sound and gives it a wonderful depth and richness of quality.

Double Spring Motor, durable, smoothly running and practically noiseless.

All the Superb Cabinets Are Made by the Pooley Manufacturing Co., famous for the high-grade furniture it produces. Styles are most artistic, and the Keen-o-Phone is an ornament to the most luxuriously furnished room.

All Keen-o-Phones are equipped with the splendid POOLEY RECORD-FLING DEVICE, except Style XXX, which has its own excellent arrangement, and Style XX, which is equipped with horns.

The Keen-o-Phone Makes an Ideal Home Orchestra for the Modern Dances

With all the world danced, no better-timed offering could be imagined of such magnificent talking machines, which will play ALL DANCE RECORDS faultlessly, and in perfect rhythm.

And it costs so little to possess on!

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Imagine Buying a Cabinet Talking Machine with a Pooley Record for Only \$25!

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Be one of the FIRST to come tomorrow, and get a demonstration of exactly what this wonderful opportunity means to you!

The entire Auditorium, and most of the Piano Store, 8th Floor, the Rear Cross Aisle, Main Floor, and the Main Cross Aisle, Subway Store, will be devoted to the Sale.

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With all the world danced, no better-timed offering could be imagined of such magnificent talking machines, which will play ALL DANCE RECORDS faultlessly, and in perfect rhythm.

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